

Beware of advertisements for "advance-fee" or "guaranteed" consumer and small business loans.

They are against the law. This brochure tells you how to recognize ads for advance-fee loan scams, how to tell them from legitimate offers by credit grantors, what to do if you are a victim, and where you can find low-cost help in dealing with credit problems.

- Do not confuse advance-fee loan schemes with legitimate offers of credit from loan companies, mortgage brokers, banks, savings and loans, and credit unions. Legitimate credit grantors may charge fees to process your loan application, but they will not guarantee you will qualify for a loan.
- Be wary of ads claiming that bad credit is no problem in getting you a loan.
- Be careful about making any loan agreements over the phone.
- Do not give your credit card, checking account, or Social Security numbers over the phone unless you are familiar with the company.

RECOGNIZING AN ADVANCE-FEE LOAN SCAM

The vast majority of legitimate lenders are owned and managed by professionals. But fraudulent loan brokers and other individuals misrepresenting the availability of credit and credit terms definitely are in business. One of their favorite strategies is the "advance-fee" loan scam. That's where you are guaranteed to get a loan or other type of credit — but you must pay before you apply.

Advertisements that promise loans generally appear in the classified section of local and national newspapers and magazines. They also may appear in mailings, radio spots, and on local cable stations. Often, these ads feature "900" numbers, which result in charges on your phone bill, or toll-free "800" numbers. Unfortunately, advertising in recognized media outlets does not guarantee the legitimacy of the company behind the ad. In addition, these companies often use delivery systems other than the U.S. Postal Service, such as overnight or courier services, to avoid detection and prosecution by postal authorities.

Some companies claim they can guarantee you a loan for a fee paid in advance. The fee may range from \$100 to several hundred dollars. Indeed, small businesses have been charged as much as several thousand dollars as an advance fee for a loan. Whether you are an individual consumer or an owner of a small business, the result is the same: you don't get your money; the con artist does. And once con artists get your money, they disappear.

Don't confuse a legitimate pre-approved credit offer with a legitimate pre-qualified offer from mortgage brokers, banks, savings and loans, and credit unions. A pre-approved offer requires only your verbal or written acceptance. A pre-qualified offer means you've been selected to apply. However, you still must go through the normal application process, and you still can be turned down.

If someone guarantees — or states — there's a strong chance they can arrange to get you a loan or other form of credit, be suspicious. And if you're asked to pay before you receive the loan or credit offer, hang up. It's against the law.

PROTECTING YOURSELF

According to the Federal Trade Commission's (FTC) Telemarketing Sales Rule, if someone guarantees or suggests that there is a strong chance they can get or arrange for a loan or other form of credit for you, they cannot ask you to pay — or accept payment — for their service until you get your loan or credit.

Here are some points to keep in mind before you respond to ads that promise easy credit, regardless of your credit history:

- Legitimate lenders never "guarantee" or say that you are likely to get a loan or a credit card before you apply, especially if you have bad credit, no credit, or a bankruptcy.
- If you apply for a real estate loan, it is accepted and common practice for lenders to request payment for a credit report or appraisal. However, legitimate lenders never ask you to pay for processing your application.
- Never give your credit card account number, bank account information, or Social Security Number over the telephone unless you are familiar with the company and know why the information is necessary.

- If you don't have the offer in hand — or confirmed in writing — and you are asked to pay, hang up. It's fraud and it's against the law.

WHAT TO DO IF YOU ARE A VICTIM

If you think you've been a victim of an advance-fee loan scam, contact your local consumer protection agency, Better Business Bureau (BBB), state Attorney General, or Call for Action (202-537-0585; TDD: 202-537-1551) to report the company.

You can file a complaint with the FTC by contacting the Consumer Response Center by phone: 202-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or through the Internet, using the online complaint form. Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.

FINDING LOW-COST HELP FOR CREDIT PROBLEMS

First, try to solve your debt problems with your creditors as soon as you realize you won't be able to make your payments. If you can't resolve your credit problems yourself or need additional assistance, you may want to contact a credit counseling service. There are nonprofit organizations in every state that counsel indebted consumers. Counselors try to arrange repayment plans that are acceptable to you and your creditors. They also will help you set up a realistic budget. These services are offered at little or no cost.

Check the White Pages of your telephone directory to get the number of the consumer credit counselor office nearest you or call 1-800-388-2227 using a touch-tone phone. If you have other questions, write or call: National Foundation for Consumer Credit, 8611 Second Avenue, Suite 100, Silver Spring, MD 20910, (301) 589-5001.

Universities, military bases, credit unions, and housing authorities also may offer low- or no-cost credit counseling programs. Check the white pages of your telephone directory for a service near you.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

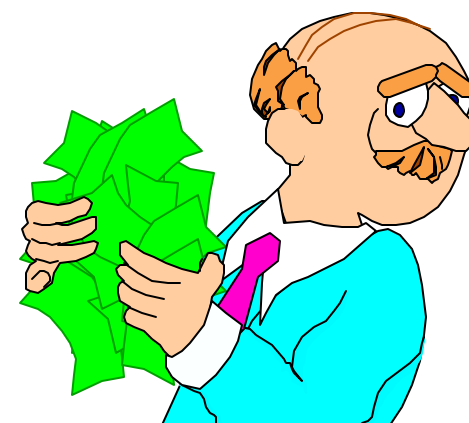
Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Scoring for Credit
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



DEPARTMENT OF FINANCIAL INSTITUTIONS
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Advance- Fee Loan Scams



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